

CONTRACT ADMINISTRATION MEMORANDUM NO. 1

REGARDING

CONCESSION AGREEMENT

**SERVICE CONTRACT FOR THE DESIGN, CONSTRUCTION AND FINANCING OF
UPGRADES AND FOR THE OPERATION OF THE RIALTO UTILITY AUTHORITY
WASTEWATER FACILITY AND WATER FACILITY**

This Contract Administration Memorandum No. 1 regarding the Concession Agreement: Service Contract for the Design, Construction and Financing of Upgrades and for the Operation of the Rialto Utility Authority Wastewater Facility and Water Facility (this "Memorandum") is entered into and effective as of September 14, 2012 by and between:

(a) Rialto Water Services, LP, a Delaware limited partnership (the "Concessionaire");

(b) the Rialto Utility Authority, a California joint powers authority (the "Authority");
and

(c) the City of Rialto, a municipal corporation of the State of California (the "City").

BACKGROUND:

A. The Concessionaire, the Authority and the City are parties to the certain Concessionaire Agreement: Service Contract for the Design, Construction and Financing of Upgrades and for the Operation of the Rialto Utility Authority Wastewater Facility and Water Facility, entered into and effective as of March 27, 2012 (the "Agreement"). Capitalized terms used but not defined herein have the respective meanings set forth in the Agreement. Unless otherwise indicated, all section references are to the Sections of the Agreement.

B. Pursuant to Section 25.6 of the Agreement, the Concessionaire, the Authority and the City have agreed to execute this Memorandum to evidence the resolution reached by such parties as to matters of interpretation and application arising during the course of the performance of their obligations under the Agreement.

C. This Memorandum is being entered into in connection with an expected change in the financing structure for the Concessionaire Financing, a necessary and mutually desirable extension of the Outside Closing Date, the assignment of the Agreement by the Concessionaire, and the replacement of the Contractor and the Independent Engineer, and to document the Authority's consent to the replacement Contractor, agreement to an extension of the Outside Closing Date and the replacement Independent Engineer and acknowledgment of and consent to the expected assignment of the Agreement by the Concessionaire.

NOW, THEREFORE, the following reflects the resolution reached by the Concessionaire, the Authority and the City:

1. Consents, Agreements and Acknowledgments.

a. The Authority hereby consents to Veolia Water West Operating Services, Inc. as replacement Contractor pursuant to Section 19.1(b), and the City hereby acknowledges such consent. The Concessionaire, the Authority and the City acknowledge that such replacement Contractor intends initially to subcontract certain operational responsibilities in connection with the water system to West Valley Water District ("WVWD"), subject to the approval of WVWD's governing board. The Concessionaire, the Authority and the City hereby resolve that the meaning, interpretation or application of certain provisions of the Agreement (and, as appropriate, the Access Agreement and Trust Agreement) require clarification as a result of such replacement of the Contractor, and that such clarifications shall be documented in a subsequent CAM.

b. The Authority and the City hereby consent to and acknowledge the planned assignment of the Agreement by the Concessionaire to Rialto Water Services, LLC pursuant to Section 26.2. The Concessionaire, the Authority and the City hereby resolve that the meaning, interpretation or application of certain provisions of the Agreement (and, as appropriate, the Access Agreement and Trust Agreement) require clarification as a result of such planned assignment of the Agreement by the Concessionaire, and that such clarifications shall be documented in a subsequent CAM.

c. The Authority and the City hereby agree to an extension of the Outside Closing Date to November 30, 2012 pursuant to Section 2.4(e). The Concessionaire, the Authority and the City hereby resolve that the meaning, interpretation or application of certain provisions of the Agreement (and, as appropriate, the Access Agreement and Trust Agreement) require clarification as a result of such consent and an expected change in the financing structure for the Concessionaire Financing, and to provide flexibility with respect to the structure of Additional Concessionaire Financing, Wastewater Authority Parity Debt or Water Authority Parity Debt, and that such clarifications shall be documented in a subsequent CAM.

d. The Authority and the City hereby agree to the use of Arup North America Ltd (or one of its Affiliates) as Independent Engineer under the Agreement, pursuant to the definition of "Independent Engineer" in Section 1.1. The Concessionaire, the Authority and the City hereby resolve that the meaning, interpretation or application of certain provisions of the Agreement (and, as appropriate, the Access Agreement and Trust Agreement) require clarification as a result of such replacement of the Independent Engineer, and that such clarifications shall be documented in a subsequent CAM.

2. Miscellaneous.

a. This Memorandum supersedes any prior resolution, agreement or understanding, written or oral, concerning the subject matter of this Memorandum, and any such prior resolutions, agreements and understandings hereby cease to have any force or effect and may not be used by any party or admissible in any proceeding to construe, interpret or vary from the Agreement or this Memorandum.

b. Except as specifically set forth herein, the Agreement remains unmodified and in full force and effect.

c. If any provision of this Memorandum is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions shall nevertheless continue in full force without being impaired or invalidated in any way. If, however, the absence of the eliminated provision is contrary to the initial intention of the parties hereto, the parties hereto resolve to negotiate a mutually acceptable substitute provision.

d. This Memorandum is made with reference to, and shall be governed by and construed in accordance with the laws of the State of California, without regard to conflict of laws provisions.

e. This Memorandum may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties to this Memorandum, intending to be legally bound, have executed this Memorandum as of the date first written above.

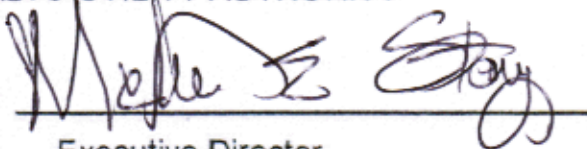
RIALTO WATER SERVICES, LP

By: _____

Name: Peter Luchetti

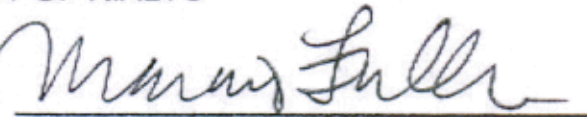
Title: Officer

RIALTO UTILITY AUTHORITY

By: 

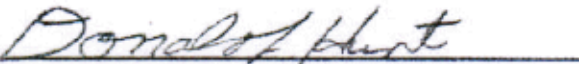
Its: Executive Director

CITY OF RIALTO

By: 

Its: Director of Public Works

APPROVED AS TO FORM AND LEGALITY

By: 

Name: Donald L. Hunt

Title: Partner
Fulbright & Jaworski, L.L.P.
Special Counsel